RESEARCH HIGHLIGHT

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Government-imposed Charges on New Housing in Canada

INTRODUCTION

This study examined government-imposed charges (GICs) on new housing in Canada. Such costs include the full range of levies, fees, charges and taxes that are imposed by all levels of government due to the development, sale, and ownership of housing. GICs may affect the price of housing, the price of land and the returns on capital investments in general in Canada, and are therefore of great interest to the housing industry and Canadian consumers. Municipal and provincial officials may also wish to use this report to compare their charge levels against other jurisdictions in Canada.

The objectives of this study were to:

- update the estimates of GICs from two previous studies prepared for CMHC; and
- report on trends in GICs since the previous study.

The first study, conducted for CMHC in 1996, entitled *Levies, Fees, Charges, Taxes and Transaction Costs on New Housing*, looked at government-imposed costs on single-detached and row housing in 26 municipalities and compared these costs to the sale price for each housing type.[1] The 2002 update study, *Levies, Fees, Charges and Taxes on New Housing: 2002*, expanded the sample size to 30 municipalities and covered a broader range of housing types by including condominiums and rental apartments.[2]

SCOPE

The latest study presents estimates of GICs in 2006 and expands the coverage to 32 municipalities. The range of GICs covered is similar to the 2002 study. Table 1 summarizes the categories of GICs and their components which were included in the estimates.

FINDINGS

Detailed estimates of the GICs paid on new housing in 2006 are provided for single-detached homes, row houses and condominium apartments. Row houses and apartments are included in the analysis only in those municipalities where supply of these dwelling types is substantial. Property taxes, an annual charge paid by owners to local authorities based primarily on the market value of the property, are estimated separately because they are a significant, but different, contributor to the overall cost of housing.

The GICs were estimated for a "typical" single-detached dwelling in each municipality included in the study. In the 2006 study, "typical" was defined as the median or mid-priced home sold in 2006. This was a change from the previous studies wherein the "typical" house was defined as a more modest house, priced at the 25th percentile in the market. Therefore, to identify trends and make comparisons to the previous period, the 2002 data was adjusted to take into account both the change in the reference unit and inflation.

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1 Greg Lampert and Marc Denhez. 1997. *Levies, Fees, Charges, Taxes and Transaction Costs on New Housing*. Prepared for CMHC and the Canadian Home Builders' Association.

2 Greg Lampert. 2003. *Levies, Fees, Charges and Taxes on New Housing: 2002*. Prepared for CMHC.

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Table 1 GICs and Their Components

GIC	Level	Components
Infrastructure charges	Municipal/regional	Hard (sewer, water, road) and soft (parks, libraries, police station) off-site infrastructure (either through subdivision agreement or development charges), and water and sewer connection fees. Engineering review fee. Sewer connection and other inspection fees.
Land dedications	Municipal/regional	Land dedications and cash in lieu.
Development application and processing fees	Municipal/regional	Subdivision application fees, condominium application fees, site plan approval, administration fees.
Building permit fees	Municipal/regional	Building permit, plumbing, and mechanical or electrical permit fees.
Home warranty fees	Provincial	New home warranty programs (both required and optional).
Registry/Land transfer fees	Provincial	Land transfer taxes and title registration fees.
Provincial sales taxes	Provincial	Provincial Sales Tax on construction materials, Quebec Sales Tax on house sale, Harmonized Sales Tax on house sale.
Provincial other	Provincial	Provincial plumbing and electrical inspection fees, provincial engineering review fees, home warranty licensing fees.
GST	Federal	GST on house sale.
Property taxes	Municipal/regional	Property taxes, garbage collection surcharges, police surcharges, fire surcharges, education surcharges, etc.

Figure 1 shows the GICs for each municipality in the study in 2006. The GICs paid on a new single-detached dwelling totalled on average $39,911 and made up 13 per cent of the median selling price. In absolute figures, Toronto had the highest level of GICs ($101,526), almost $15,000 above the second highest, Surrey, B.C. ($86,897). At the other end of the scale, Yellowknife ($14,510) had the lowest level of GICs. GICs exceeded $60,000 in eight municipalities, Colwood, Kelowna, Vancouver, Burnaby, Surrey, Mississauga, Toronto, and Vaughan. A second tier of 20 municipalities had GICs between $20,000 and $60,000. Four municipalities, Yellowknife, Whitehorse, Quebec City and Charlottetown, had GICs of less than $20,000.

Figure 2 shows the GICs on single-detached homes in each municipality as a percentage of the selling price. In percentage terms, GICs ranged from 18 per cent in Vaughan to less than five per cent in Yellowknife. Toronto represented the median at 13.4 per cent. In Halifax, Vaughan, Mississauga, Hamilton, Waterloo, and Surrey, GICs represented more than 16% of the selling price of new detached homes. In another six cities, Windsor, London, Ottawa, Montreal, Laval, Longueuil, GICs made up 14-16% of house prices. The lowest percentages were in western cities with moderate housing prices and no PST, Yellowknife, Whitehorse, Grande Prairie, and Calgary, all less than 8%.

The composition of the GICs also varied across the country. Table 2 presents a detailed summary of the GICs payable on a typical new detached dwelling in the 32 study municipalities. The federal GST, which is directly linked to the selling price, represented the largest share of the total GIC in municipalities with high prices such as Toronto and Vancouver. In cities with high infrastructure charges (DCCs), such as Edmonton, Saskatoon, Hamilton and Waterloo, the municipal share made up more than half of GICs. Provincial charges can be the largest component of the GIC in municipalities where the provincial sales tax is based on the selling price, for example in St. John's, Moncton, Longueuil, and Laval. For all municipalities surveyed, application and processing fees represented the smallest identifiable component, less than one per cent of GICs. In about half the municipalities, the largest share was either infrastructure charges (especially in the West) or land dedications (in Quebec, Atlantic Canada, Toronto, Calgary and parts of British Columbia).

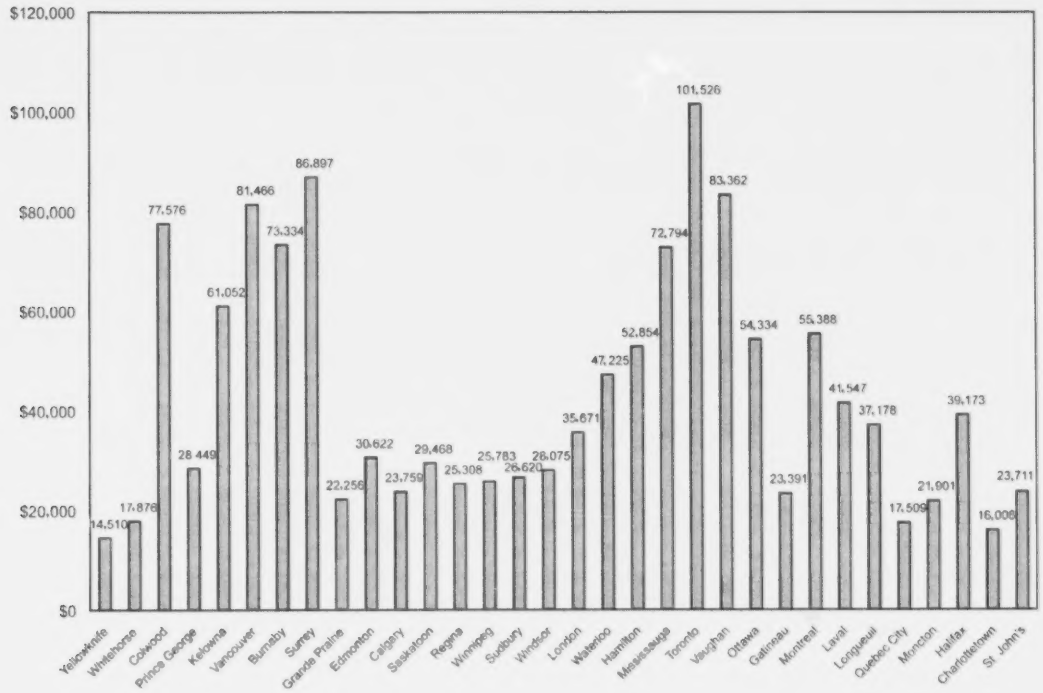

Figure 1 Total GICs on Single-detached Dwellings, 2006

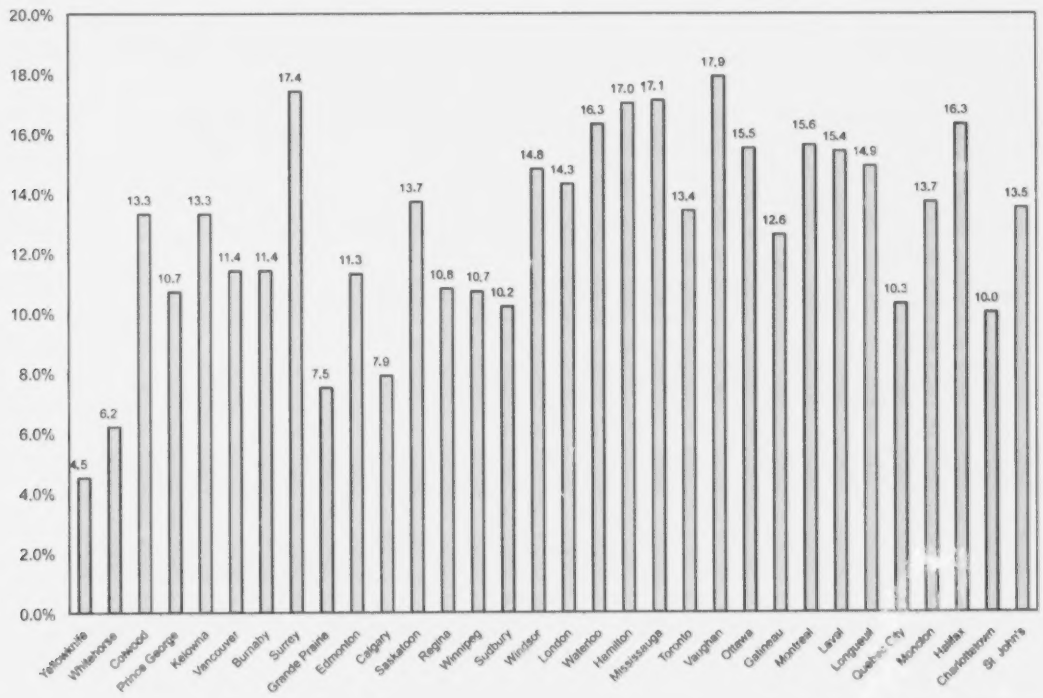

Figure 2 Total GICs as Percent of Price on Single-detached Dwellings, 2006

Table 2 GICs on Single-detached Dwellings, 2006

Municipality	Net Price	Infrastructure Charges	Land Dedications	Processing Fees	Building Permit	Total Municipal Charges
St. John's	175,000	0	1,000	100	761	1,861
Charlottetown	160,000	56	1,069	28	308	1,461
Halifax	240,000	3,060	2,894	35	764	6,753
Moncton	160,000	100	1,090	195	777	2,162
Quebec City	170,000	0	2,575	50	300	2,925
Longueuil	250,000	0	4,425	50	150	4,625
Laval	270,000	0	6,000	58	310	6,368
Montreal	355,000	0	7,500	0	1,551	9,051
Gatineau	185,000	0	3,907	103	273	4,283
Ottawa	350,000	21,652	1,367	617	2,876	26,511
Vaughan	465,000	28,825	7,159	1,890	1,947	39,821
Toronto	755,000	11,644	15,418	878	3,556	31,496
Mississauga	425,000	25,310	6,835	550	1,816	34,511
Hamilton	310,000	24,445	2,378	875	1,596	29,294
Waterloo	290,000	18,948	3,303	1,099	1,750	25,100
London	250,000	13,936	903	85	1,085	16,008
Windsor	190,000	10,178	491	215	1,938	12,822
Sudbury	260,000	3,017	1,612	239	1,658	6,526
Winnipeg	240,000	3,740	2,161	411	749	7,061
Regina	235,000	8,105	1,789	141	749	10,785
Saskatoon	215,000	13,611	1,939	56	773	16,379
Calgary	300,000	3,718	6,278	413	1,327	11,736
Edmonton	270,000	12,228	4,802	613	2,113	19,756
Grande Prairie	295,000	6,213	2,879	155	1,184	10,431
Surrey	500,000	28,100	8,245	104	2,293	38,742
Burnaby	645,000	3,851	6,521	44	2,779	13,195
Vancouver	715,000	10,783	0	3,246	2,533	16,562
Kelowna	460,000	10,613	2,957	132	1,970	15,672
Prince George	265,000	3,557	1,510	89	1,247	6,402
Colwood	585,000	6,764	10,162	415	3,245	20,586
Whitehorse	290,000	2,500	2,875	100	1,169	6,644
Yellowknife	325,000	170	0	18	1,354	1,542

PST	Registry Transfer	New Home Warranty	Other Provincial Charges	Total Provincial Charges	GST	Total GICs	Percent of Price
14,000	800	330	0	15,130	6,720	23,711	13.5%
6,186	1,675	330	210	8,401	6,144	16,006	10.0%
19,200	3,675	330	0	23,205	9,216	39,173	16.3%
12,800	465	330	0	13,595	6,144	21,901	13.7%
5,423	1,584	925	124	8,056	6,528	17,509	10.3%
19,470	2,384	975	124	22,953	9,600	37,178	14.9%
21,028	2,684	975	124	24,811	10,368	41,547	15.4%
27,647	3,959	975	124	32,706	13,632	55,388	15.6%
9,221	1,734	925	124	12,004	7,104	23,391	12.6%
9,848	3,800	550	185	14,383	13,440	54,334	15.5%
8,906	5,850	700	185	15,641	27,900	83,362	17.9%
12,145	11,650	750	185	24,730	45,300	101,526	13.4%
7,908	7,100	650	185	15,843	22,440	72,794	17.1%
7,722	3,200	550	185	11,657	11,904	52,854	17.0%
7,404	2,900	500	185	10,989	11,136	47,225	16.3%
7,128	2,300	450	185	10,063	9,600	35,671	14.3%
5,614	1,700	400	243	7,957	7,296	28,075	14.8%
6,975	2,450	500	185	10,110	9,984	26,620	10.2%
6,587	2,519	400	0	9,506	9,216	25,783	10.7%
4,314	705	481	0	5,500	9,024	25,308	10.8%
3,707	645	481	0	4,833	8,256	29,468	13.7%
0	95	355	53	503	11,520	23,759	7.9%
0	89	325	85	499	10,368	30,622	11.3%
0	94	355	47	496	11,328	22,256	7.5%
8,064	8,066	2,000	25	18,155	30,000	86,897	17.4%
8,448	10,966	2,000	25	21,439	38,700	73,334	11.4%
7,613	12,366	2,000	25	22,004	42,900	81,466	11.4%
8,489	7,266	2,000	25	17,780	27,600	61,052	13.3%
6,480	3,366	2,000	25	11,870	10,176	28,449	10.7%
10,099	9,766	2,000	25	21,890	35,100	77,576	13.3%
0	96	0	0	96	11,136	17,876	6.2%
0	488	0	0	488	12,480	14,510	4.5%

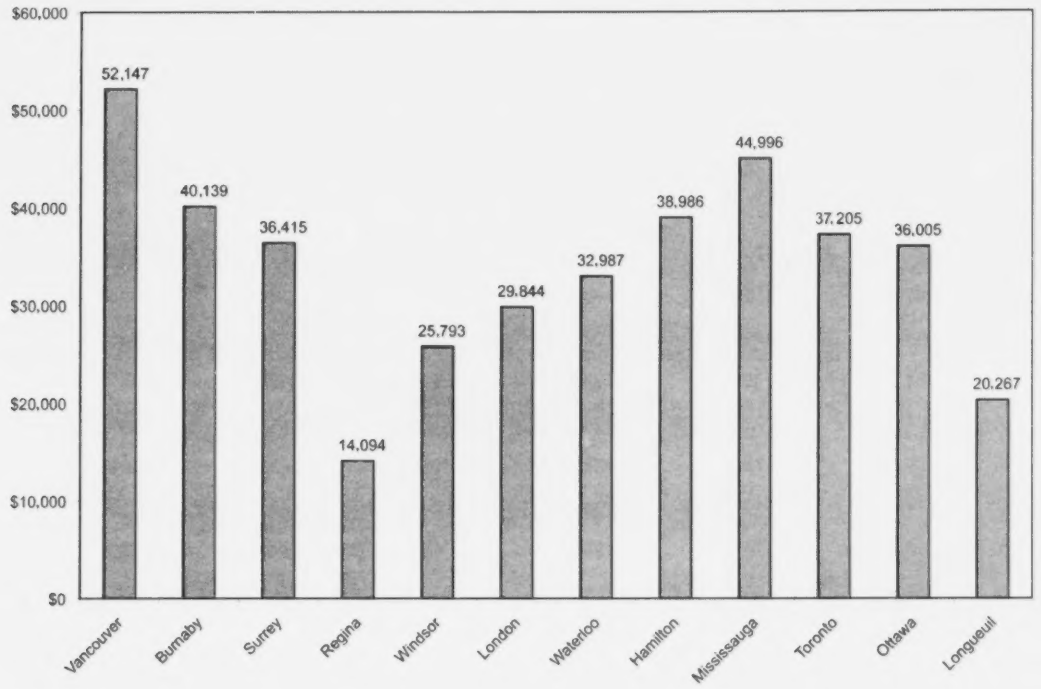

Figure 3 Total GICs on Row Houses, 2006

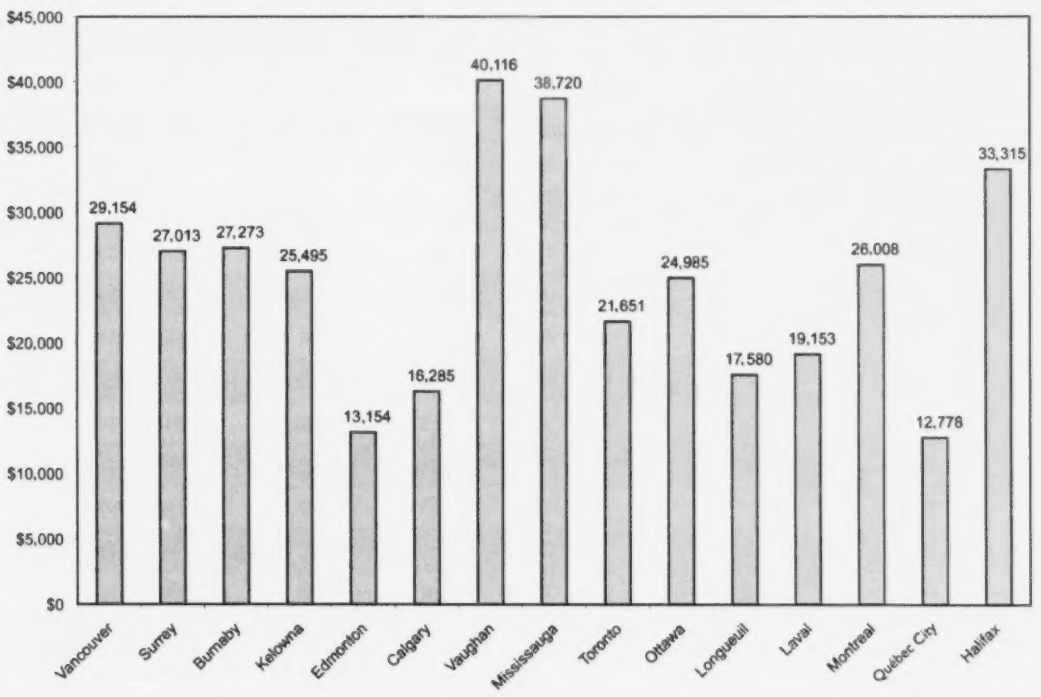

Figure 4 Total GICs on Condominium Apartments, 2006

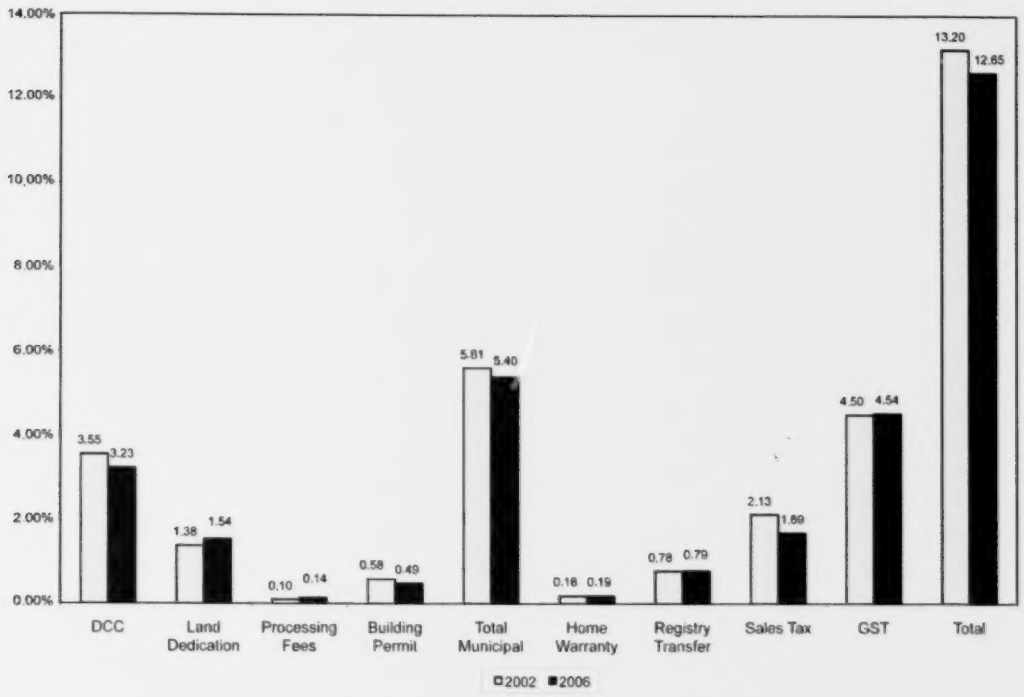

Figure 5 Weighted Average GICs as Percent of House Price in 2002 and 2006

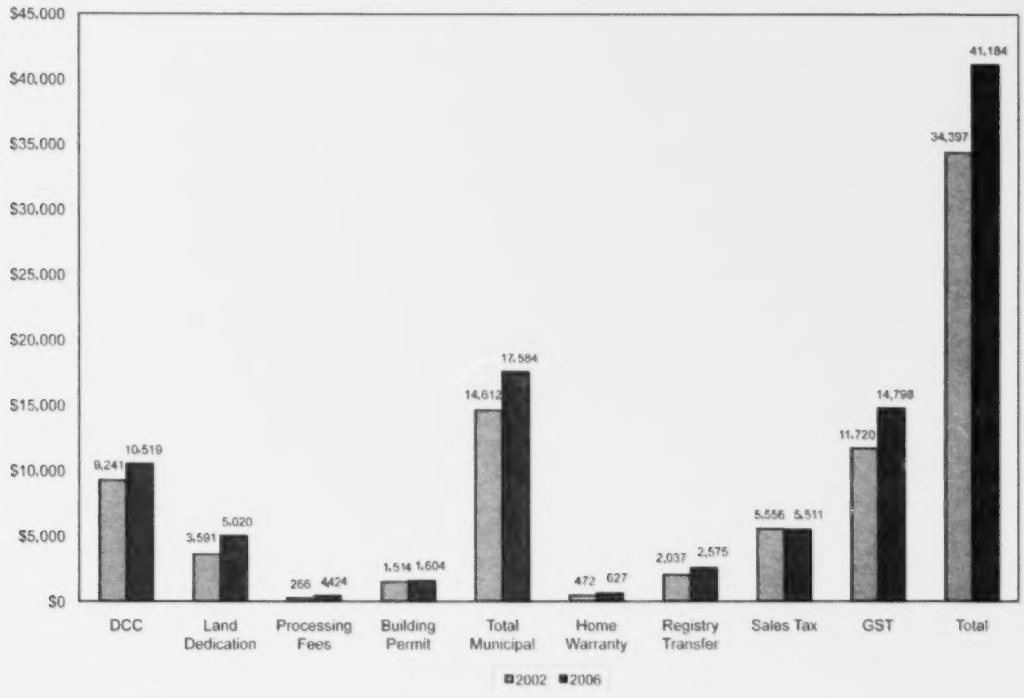

Figure 6 Weighted Average GICs in Adjusted $2002 and $2006

GICs tend to be lower for other dwelling types, such as row houses and condominium apartments. Figure 3 shows GICs for row houses and Figure 4 shows apartment condominiums. Not all cities had enough new construction activity to be included, however, the pattern of GICs for row houses and condominium apartments matched that for single-detached dwellings. The highest GICs for condominiums were in Vaughan and Mississauga (infrastructure cost), Halifax (sales tax) and Vancouver (high sales price and land values). The lowest were in Quebec (no infrastructure charge) and Edmonton and Calgary (no PST).

The study examined changes in the GICs for single-detached houses between 2002 and 2006. Comparisons with the past were complicated by a variety of factors including the change in the reference house between the 2002 and 2006 studies. Therefore, for purposes of comparison, the 2002 GIC estimates for each municipality were recalculated for the median priced reference unit in 2002.[3] The median price was obtained from CMHC for all cities except Whitehorse and Yellowknife. For these cities, the quartile/quintile price was increased by 14 percent, the difference that prevailed in Grand Prairie. The construction cost and the residual land value were increased by the same proportion. Lot dimensions were not changed. The formulas used in the 2002 report were applied to each city and the municipal, provincial and federal charges were recalculated for the median house. In addition, since only 28 of the 32 municipalities in the 2006 analysis were included in 2002, the weighted average for 2006 was adjusted as well. Costs from 2002 were also increased by an inflation factor for comparison with 2006 estimates.

Figures 5 and 6 compare the GICs in 2002 and 2006. In the 28 municipalities included in both studies, the GICs on a median-priced single detached house fell from an average of 13.2 per cent of the selling price in 2002 (charges of $34,397 on a $260,669 priced house, both measured in 2006 dollars) to 12.65 per cent of the selling price in 2006 (charges of $41,184 on a house priced at $325,630).

The complete report provides additional details and analysis of the GICs, including appendices containing an estimate of the assessed value and residential property taxes paid for the typical dwelling unit in each of the municipalities included in the study and a detailed description and listing of the GIC components and the basis for calculation for each of the 32 municipalities in the study.

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[3] Two approaches were examined: recalculation of the 2002 GICs using actual 2002 median house prices; and adjustment of the GICs using an adjustment ratio method. The recalculation method was used to report on the changes.

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